10/21/87 C0175-1

American Banker

The Daily Financial Services Nev

150222000015 8/15/05 C11
CONGRESSIONAL INFOR SREV SRI
ACQUIS EDITOR SRI
4520 E. WEST HIGHWAY
BETHESDA MD 20814

VOL. CLII NO. 207 Wednesday, October 21, 1987

Today

THE AFTERMATH

New York City's big bank lenders, which had $16.7 billion outstanding to the securities industry in early October, made margin calls to customers as the collateral stocks they were holding plummeted in value. 2

The mutual fund industry coped well with the crush of investors trying to cash out of the stock market. Now it must manage to make the payouts, often by drawing against bank credit lines. Goldman, Sachs & Co. made $1 billion of its capital available to mutual funds. 2

Chemical Bank, Marine Midland, and First RepublicBank, which had raised their prime lending rates last week, lowered them after short-term interest rates dropped sharply. 2

London stock prices gyrated wildly, with record losses posted Tuesday. The Financial Times/Stock Exchange index of 100 leading shares plummeted 250.7 points, bringing its cumulative losses since Thursday to 500.3 points or roughly 23%. 2

Share prices of banks involved in mergers or acquisitions were hard hit by the recent plunge in equities. Many transactions in the works have trigger points calling for renegotiated prices, which likely means more dilution of earnings for the buyer. 3

A product that should get a big boost from falling stock prices is the federally insured certificate of deposit with a return linked to the rise or fall of the S&P 500 index. 36

The market tumult has created an opening for banks to position their federally insured products as a safe haven. 36

Consumers increasingly ventured into gold certificates in the aftermath of the crash, said some bankers who deal in precious metals. 36

KEEPING CURRENT

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Quote

It would have an impact on the banking system if it threw us into a recession, and I don't see that happening.

L. William Seidman, chairman of the FDIC. [Page 1]

Unquote

FEATURE SECTION

FOREIGN RETAIL UNITS: Despite the roadblocks to launching an international retail banking operation, many keep trying in the never-ending search for consumer deposits. See **Page 9.**

Financial Markets in Turmoil

After the Crash

The Challenge: Settling Those Stock Trades

By YVETTE D. KANTROW and DAVID O. TYSON

NEW YORK — Thanks to automation, clearing banks expect few problems in settling the massive waves of stock trades that will hit their back offices in a few days.

With the normal five-day settlement, last Friday's record New York Stock Exchange volume of 338 million shares will settle this Friday and Monday's 604 million shares next Monday. But the banking community appeared poised and ready.

Trading in the long-term bond markets — governments, corporates, municipals — has been moderate: Investors dumping stocks have switched mostly into the money market and interest bearing accounts at banks and thrifts.

SPC Securities Services Inc., New York, a subsidiary of Security Pacific Corp., Los Angeles, is responsible for 20% of the clearing of U.S. government obligations. Sal Ricca, managing director and chief operating officer, said volume has been more than normal the past few days. "But it's not really any more than our systems are used to," he said.

In fact, Mr. Ricca called the clearing of government securities "a voice of calm in all this craziness." And other large clearing banks echoed his confidence. Executives at Manufacturers Hanover Trust Co. and Irving Trust Co. reported their systems should have no problem handling heavy transaction

Clearing Banks: Page 26 ➡

Bid to Expand Bank Powers Likely to Suffer

By JAY ROSENSTEIN and BARBARA A. REHM
Washington Bureau

WASHINGTON — Commercial banking's attempt to get new securities powers was dealt a blow by the stock market crash, observers said Tuesday.

Congress is expected to be more skeptical about proposals to let banks expand into the securities business, they said.

"This is clearly a sobering event to be considered when members start debating the advisability of conferring securities powers on banks," said House Banking Committee Chairman Fernand J. St Germain in response to a question Tuesday.

Robert L. Clarke, the comptroller of the currency, said that "undoubtedly, there will be people" who interpret the crash as proof that banks should not be permitted to expand into broad-based underwriting and trading of stocks.

However, action on a bill to expand powers is moving forward.

Sen. William Proxmire, chairman of the Senate Banking Committee, is among those leading the push for expanded securities powers for the industry. He has been circulating a draft bill that would allow bank holding company subsidiaries to issue, underwrite, distribute, and deal in securities of any type.

Kenneth A. McLean, staff director of the Senate Banking Committee, said

Lawmakers: Page 39 ➡

Fed Chairman Quits Meeting To Rush Home

By ROBERT M. GARSSON

DALLAS — As the nation's stock markets struggled to recover from Monday's crash, financial industry regulators rushed home to Washington to begin the process of restoring the confidence of jittery investors.

Bankers at the annual American Bankers Association convention here were stunned Monday as the increasingly grim news filtered into the meeting halls. But those interviewed stressed that the economy is fundamentally strong and added that the safety net in place should ensure against a repeat of the panic sparked by the stock market crash of 1929 that ultimately crippled the banking system.

Alan Greenspan, facing his first test as chairman of the nation's central bank, abruptly canceled an appearance before bankers here and flew back to Washington. Federal Reserve Vice Chairman Manuel H. Johnson canceled a dinner speech in New York and Treasury Secretary James A. Baker 3d cut short a trip in Sweden as well.

The Federal Reserve acted Tuesday to provide liquidity to the financial system through its open market operations. Restrictions on trading of stock index futures and options instruments seemed to help the market recover from the panic selling that sent the Dow Jones industrial average down 508.32 points to 1738.42 Monday in its sharpest decline ever.

The market was also buoyed Tues-

Bankers: Page 38 ➡

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MARKETING MANAGEMENT

Commission Arrangements Are Worth Exploring

By JACK W. WHITTLE

EVERY BANKER admits deep down that expanded powers pose an opportunity to create new products. Some bankers welcome this challenge, while others would prefer not to be bothered with it. But when net interest margins shrink on your present product offerings, Marketing 101 teaches that you should bring on new products to sell to the same customers.

This is the same approach that the brokerage firms, insurance companies, real estate firms, and large retailers follow. For bankers, though, there is a catch: Most new products bankers are considering traditionally have been sold only through a commission-based system.

If it were not for the seller's vested interest, i.e., commissions, I think stock, insurance, and real estate sales probably would plummet. In these industries, the sales force expects a piece of the action, and they get it. The customer contact person — the one who closes a sale — reaps the best reward. On the other hand, back-office people at insurance companies, for example, never complain about not being commission based. The same is true among back-office employees of real estate and brokerage firms.

Mr. Whittle is the chairman of Whittle & Hanks Inc., a financial services consulting firm in Chicago.

Whittle Says:

When it comes to paying commissions, the situation is not all black or white. Every reward-based system can be tailored to the particular situation at hand.

Recognizing that employees fall into two separate categories — commission and noncommission — has caused many bankers a great degree of anguish. They are reluctant to begin commissions, as evidenced by often-heard remarks such as "I don't want a split in my bank," or "I'll do anything to avoid creating cliques," or "Our bank is a service business, and the people in the back office work just as hard as those out front to satisfy customers."

All of these statements are true. Yes, we are in the service business. Yes, we do have to include the back-office people when we recognize contributions. However, just because insurance agents earn commissions and computer programmers at the big insurance companies do not certainly does not mean that we bankers should throw up our hands in frustration and say: "I don't want to get involved in a commission-based program."

There are ways to be creative. When it comes to paying commissions, the situation is not all black or white. Every reward-based system can be tailored to the particular situation at hand.

Average Possible Rewards

Bankers frequently ask: "How much can I pay in commissions for new deposits?" or "What is the going commission rate for procuring an installment loan, home equity loan, or mortgage?" To assist our clients, we have directed considerable effort toward working up averages of what the possible rewards conceivably could be when it comes to sharing the profits on deposit accounts or loans with the seller.

This is not easy. First, you need to determine a profitability benchmark under various circumstances. For example, in the case of loans, you have to assume a certain average balance, maturity period, and closing cost.

Using the Fed's functional cost analysis, we meshed these variables with annual operating costs and net interest margin. For example, an installment loan with an average balance of $3,853, an average maturity of three years, and an opening cost of $84.51 results in $68.28 of annual operating cost. Further assume an investment earnings rate of 13.53% and an average interest expense of 7.54%. This gives us a net interest margin of 5.99%. Your loan yields a $403 average net contribution to profits over the life of the installment loan.

You could conceivably pass along to the one who makes the sale at least a $12 reward.

For each typical bank product, we have worked out a similar net contribution to profits. These estimates are rough, but they do get you in the ballpark. Moreover, this approach is not the absolute answer to what your commission should be.

As I have stated in earlier columns, our experience in counseling clients on commission programs suggests that by far the most reliable barometer of what a commission should be is what the employees who make the sale say. When these employees become part of the solution, they tend to support it wholeheartedly. Commission schedules that are imposed by management are not accepted as well.

Next, you must decide who really made the sale. Is it the person who did the interviewing? The greeter at the door? The bank employee who helped the customer initially and who suggested that he or she come back to apply for an installment loan? All played a part, but who had the most influence in prompting the sale? I say that the person who closed the deal deserves the biggest reward.

The Psychology of Selling

Now, you say: "What about the people in bookkeeping?" Well, there are several ways in which they can participate in your commission program. Before we consider the alternatives, however, let's look first at the psychology of selling.

Our experience has taught us that those who go on commission, perhaps base salary plus commission, part commission and incentive bonus, or some other arrangement, tend to work under great stress and pressure at all times. Not everyone is cut out for the work of selling. Although nonsales staff may say they are under the same kind of pressure, this is just not so. Sure, there is pressure to balance out. Sure, there is pressure to modify products to stay competitive. However, the constant stress of having to meet sales quotas day in and day out is a different environment compared with what most bank employees have experienced.

Back-office people need to realize that the pressure to sell is considerable. Then, if bookkeepers, for example, still want a chance to earn a commission, they should be given the chance. If they really believe they want to work under conditions that make the amount of their paychecks variable, let them do so.

Another way back-office staff can participate in commissions is by giving referrals for new business. Usually, the referral earns the employee so much money per product. Many banks pay a commission once the referral is given; they do not require that the transactions be consummated. Most big banks reward the referring employee only when the sale is closed.

Yet another way for back-office people to qualify for commissions, and perhaps the most sensible way of all, is to have them participate with the customer contact person. After studying major industries that have paid the commissions for long periods, we discovered that sharing is the norm within the service industry.

For instance, when you dine at a better restaurant, you are served by a maitre d', table waiter, bus boy, and wine steward. There is a formula for sharing tips. The same is true at bars. Most people on the same shift at a good bar pool the tips. The norm in New York is that 15% of the tip goes back to the support people, such as the dishwashers, who help make the whole thing work.

Our experience is that the pooled-commission concept works well in branches. A certain amount of the commission is for the person who closes the sale, and a certain percentage goes into a pool that is divided among all the people in that branch.

What about tellers? I believe tellers should not sell. It's a waste of their time. Instead, tellers should always render high-quality, efficient service. They can serve the selling function best by referring customers to the appropriate selling counselor in the trust,

Marketing: Page 35 ➡

American Banker
The Daily Financial Services Newspaper
Established 1836
One State Street Plaza, New York, N.Y. 10004
(212) 943-6700

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International: (212) 943-4250
Telex: 421768 ABKR

Subscription Rates: U.S. and Canada $495.00. Canada Air Mail and Foreign $1025.00. Single copy $3.25
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Published daily except Saturday, Sunday and holidays.
Second Class Postage Paid at New York, N.Y. and at additional mailing offices in U.S.A. (ISSN No. 0002-7561)
Postmaster: Send address changes to American Banker, 1 State Street Plaza, New York, N.Y. 10004

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ECONOMIC PERSPECTIVE

Some Cautious Commentary On the Crash

By ROBERT J. SAMUELSON

HEY, THIS IS exciting. Maybe terrifying. Wall Street's panic has been dizzying. To the superstitious, ominous coincidences are obvious. The Great Crash of 1929 also occurred in October. What does Monday's stock collapse mean?

Sorry, you won't find instant wisdom here. The best we can do is to provide some perspective, from the vantage point of a column written after the closing bell on Monday.

Caution No. 1: Treat all commentaries on the market (including this one) skeptically. No one really knows what's happening, and almost everyone has ulterior motives.

Brokers and government officials who talked soothingly of a "correction" aimed — unsuccessfully — to avoid a panic. Beware also of those who moralize about the "crash." If the stock market boom symbolized the Reagan prosperity, than the collapse is supposed to show that the prosperity rested on selfishness and greed. For some, that would be a satisfying verdict. It may also be bad economics.

Caution No. 2: The stock market's bark is typically worse than its bite. Even the Crash of 1929 didn't "cause" the Great Depression. Although the market's collapse helped end the 1920s' boom, mistakes in government policy converted a business downturn into the Depression.

Samuelson Says:

In the end, the stock market mostly reflects what happens in the real economy; its influence on the economy is secondary.

The Federal Reserve permitted the banking system to disintegrate. Between 1929 and 1933, two-fifths of the nation's 25,000 banks went out of business. Consumer deposits were frozen; business loans contracted. By 1933, unemployment was 25%.

What triggered the 1987 panic is anyone's guess. There were bad trade figures last week; the United States and West Germany were quarreling over interest rates. In a sense, the cause doesn't matter. Panics are driven by fear.

For much of the year, market analysts were saying that stock prices were too high based on traditional measures — profits, interest rates, underlying corporate assets. Investors rationalized away unanswered questions. The market subsisted on faith, and once selling pressures developed there was no strong case for anyone to buy.

The market always bounces around. Only with hindsight do we know which of its bounces has broader economic significance. All that's possible now is to examine the current decline.

Economic Perspective: Page 6 ➡

Mr. Samuelson also writes a biweekly column for *Newsweek* magazine. His column for the *American Banker* appears every other Wednesday.

Top 100 U.S. Banks in Equity Capital

Based on June 30, 1987 Equity Capital, Compared with December 31, 1986 and December 31, 1985

Compiled by American Banker Copyright 1987

Rank 6/87		EQUITY CAPITAL Total 6/30/87	Total 12/31/86	% Chg.	Rank 12/86	Total 12/31/85	Rank 12/85	Total Assets 6/30/87	Equity Capital/Assets (%) 6/87	12/86	12/85	Deposit Rank 6/87
1	Citibank NA, New York	6,856,000,000	8,009,000,000	-14.40	1	7,037,000,000	1	141,500,000,000	4.85%	5.22%	5.08%	1
2	Chase Manhattan Bank NA, New York	3,545,635,000	4,715,600,000	-24.81	2	4,454,725,000	2	82,726,417,000	4.29	5.75	5.66	3
3	Morgan Guaranty Trust Co., New York	3,311,054,000	3,932,980,000	-15.81	3	3,468,980,000	4	64,896,000,000	5.10	5.70	5.15	4
4	Bank of America NT&SA, San Francisco	2,620,000,000	3,592,000,000	-27.06	4	3,980,000,000	3	84,859,000,000	3.09	3.93	3.75	2
5	Bankers Trust Co., New York	2,171,660,000	2,668,169,000	-18.61	7	2,254,590,000	7	54,377,287,000	3.99	4.81	4.41	9
6	Security Pacific National Bank, Los Angeles	1,884,195,000	2,052,200,000	-8.19	10	1,872,714,000	9	47,062,439,000	4.00	4.32	4.18	7
7	Chemical Bank, New York.	1,814,000,000	2,893,000,000	-37.30	6	2,728,051,000	6	60,922,000,000	2.98	4.95	4.92	6
8	Wells Fargo Bank NA, San Francisco	1,693,247,000	2,104,266,000	-19.53	9	2,291,018,000‡	7‡	39,541,739,000	4.28	5.36	5.33‡	8
9	Manufacturers Hanover Trust Co., New York	1,661,000,000	2,912,000,000	-42.96	5	2,767,498,000	5	59,341,322,000	2.80	4.68	4.44	5
10	Continental Illinois National Bank & Trust Co., Chicago	1,645,371,000	2,114,016,000	-22.17	8	2,015,402,000	8	32,828,955,000	5.01	6.61	6.68	11
11	Republic National Bank, New York	1,502,659,000	1,580,814,000	-4.94	12	1,440,927,000	11	17,216,131,000	8.73	9.40	9.77	18
12	First National Bank, Boston	1,121,682,000	1,202,794,000	-6.74	13	1,062,616,000	14	21,538,230,000	5.21	4.78	5.26	16
13	Bank of New York	955,724,000	904,897,000	5.62	19	887,437,000	18	20,246,569,000	4.72	4.66	5.03	15
14	First National Bank, Chicago	907,466,000	1,620,087,000	-43.99	11	1,542,086,000	10	35,630,958,000	2.55	4.81	4.62	10
15	First Interstate Bank of California, Los Angeles	856,946,000	1,125,638,000	-23.87	14	1,064,726,000	13	21,051,799,000	4.07	4.97	5.17	12
16	Citibank (South Dakota) NA, Sioux Falls	855,044,000	713,239,000	19.88	23	735,766,000	23	10,290,580,000	8.31	7.11	8.81	176
17	NCNB National Bank of North Carolina, Charlotte	812,207,000	668,360,000	21.52	25	551,042,000	28	13,453,464,000	6.04	4.61	4.58	22
18	Irving Trust Co., New York	792,219,000	935,895,000	-15.35	18	866,415,000	19	21,388,498,000	3.70	4.44	4.64	17
19	National Bank of Detroit	767,973,000	791,971,000	-3.03	21	750,381,000	22	14,599,402,000	5.26	5.34	5.78	19
20	First Union National Bank, Charlotte, N.C.	761,030,000	823,346,000	-7.57	20	642,887,000	24	13,102,948,000	5.81	5.22	5.08	33
21	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	739,305,000	708,458,924	4.35	24	621,079,000	25	10,935,356,000	6.76	6.64	6.43	27
22	Mellon Bank NA, Pittsburgh	718,364,000	1,121,621,000	-35.95	15	1,059,531,000	15	23,975,038,000	3.00	4.73	4.17	14
23	Marine Midland Bank NA, Buffalo, N.Y.	698,649,000	996,918,000	-29.92	16	993,768,000	16	21,501,125,000	3.25	4.49	4.43	13
24	Citibank (Delaware), New Castle	630,816,589	958,643,000	-34.20	17	812,188,000	20	774,522,061	81.45	84.26	89.88	...
25	First RepublicBank Dallas NA	627,277,000	778,319,000	-19.41	22	769,744,000	21	20,025,802,000	3.13	5.45	4.87	21
26	Sovran Bank NA, Richmond	624,173,000	592,008,000	5.43	30	536,715,000	30	11,819,749,000	5.28	5.68	5.68	20
27	Citizens & Southern National Bank, Atlanta	620,698,000	597,733,000	3.84	29	537,021,000	29	10,340,870,000	6.00	5.67	5.76	30
28	Texas Commerce Bank NA, Houston	616,890,000	630,611,000	-2.18	26	600,247,000	26	10,984,317,000	5.62	5.48	5.16	39
29	Pittsburgh National Bank	605,269,000	627,080,000	-3.48	27	530,366,000	31	14,443,223,000	4.19	4.64	4.81	32
30	Union Bank, Los Angeles	568,240,000	555,443,000	2.30	35	511,224,000	34	9,181,580,000	6.19	5.83	5.66	31
31	Southeast Bank NA, Miami	549,918,000	581,443,000	-5.42	31	511,427,000	33	12,124,642,000	4.54	4.87	4.82	23
32	NCNB National Bank of Florida, Tampa	543,964,000	517,628,000	5.09	37	357,899,000	58	8,209,277,000	6.63	5.56	6.55	38
33	Boston Safe Deposit & Trust Co.	541,644,000	412,047,000	31.45	52	201,634,000	106	10,298,151,000	5.26	5.27	5.81	25
34	Harris Trust & Savings Bank, Chicago	540,834,000	514,813,000	5.05	38	463,900,000	38	8,196,772,000	6.60	6.09	6.08	47
35	AmeriTrust Co. NA, Cleveland	539,179,000	571,037,000	-5.58	33	530,152,000	32	8,345,588,000	6.46	6.68	7.00	37
36	Valley National Bank, Phoenix	523,063,000	571,405,000	-8.46	32	508,049,000	35	9,875,530,000	5.30	5.51	5.27	26
37	First Fidelity Bank NA, Newark, N.J.	522,033,000	511,945,000	1.97	39	457,153,000	39	10,119,891,000	5.16	5.42	5.56	36
38	Seattle-First National Bank	518,777,000	559,811,000	-7.33	34	507,272,000	36	9,933,300,000	5.22	5.53	5.11	29
39	United States National Bank of Oregon, Portland	518,123,000	489,415,000	5.87	41	440,748,000	41	8,019,322,000	6.46	5.78	5.97	52
40	Connecticut National Bank, Hartford	514,431,000	489,904,000	5.01	40	386,237,000	48	9,212,953,000	5.58	5.25	5.48	43
41	Philadelphia National Bank	502,327,000	477,459,000	5.21	42	425,529,000	43	8,937,317,000	5.62	5.48	5.21	41
42	Connecticut Bank & Trust Co. NA, Hartford	490,167,000	455,048,000	7.72	45	372,010,000	52	8,948,990,000	5.48	4.88	4.85	35
43	Michigan National Bank, Farmington Hills (b)	461,533,000	441,408,000	4.56	47‡	398,567,000	48‡	7,658,818,000	6.03	5.79‡	5.59‡	40
44	Meridian Bank, Reading, Pa.	459,374,000	422,081,000	8.84	50	236,515,000	87	6,649,690,000	6.91	6.55	6.29	55
45	United Virginia Bank, Richmond	458,746,000	437,657,000	4.82	47	383,984,000	49	8,261,842,000	5.55	5.31	5.56	45
46	Bank of New England NA, Boston	458,681,000	468,010,000	-1.99	43	296,265,000	70	10,590,325,000	4.33	4.93	4.79	28
47	Rainier National Bank, Seattle	447,943,000	459,314,000	-2.48	44	406,664,000	45	8,218,168,000	5.45	5.55	5.24	42
48	Florida National Bank, Jacksonville	441,645,000	423,935,000	4.18	49	401,462,000	47	7,275,974,000	6.07	6.25	5.97	50
49	AmSouth Bank NA, Birmingham, Ala.	440,563,000	417,352,000	5.56	51	378,287,000	51	5,923,686,000	7.44	7.06	7.23	63
50	National Westminster Bank USA, New York	435,436,000	621,044,000	-29.89	28	554,443,000	27	11,263,553,000	3.87	5.59	5.65	24
51	First Union National Bank of Florida, Jacksonville	433,978,000	329,727,000	31.62	70	213,883,000	97	7,778,427,000	5.58	4.79	4.80	54
52	First Interstate Bank of Arizona NA, Phoenix	433,171,000	430,578,000	0.60	48	381,931,000	50	6,407,094,000	6.76	6.61	6.24	51
53	State Street Bank & Trust Co., Boston	425,968,000	394,925,000	7.86	55	284,579,000	75	7,092,141,000	6.01	5.47	4.33	67
54	Maryland National Bank, Baltimore	411,585,000	394,839,000	4.24	56	357,753,000	59	8,239,068,000	5.00	4.90	5.29	44
55	First National Bank, Atlanta	402,150,000	379,044,000	6.10	60	317,748,000	62	7,236,360,000	5.56	5.13	4.28	58
56	Huntington National Bank, Columbus, Ohio	400,120,000	405,654,000	-1.36	53	368,001,000	54	6,712,666,000	5.96	5.91	5.98	53
57	First National Bank, Minneapolis, Minn.	396,479,000	519,304,000	-23.65	36	437,091,000	42	10,677,595,000	3.71	4.91	4.72	46
58	Manufacturers National Bank, Detroit	392,965,000	364,788,000	7.72	64	313,808,000	63	7,107,766,000	5.53	5.16	5.12	49
59	Fidelity Bank NA, Malvern, Pa.	392,534,000	400,003,000	-1.87	54	313,520,000	64	9,257,432,000	4.24	4.42	4.68	34
60	European American Bank, New York	381,436,000	365,738,000	4.29	62	410,951,000	44	6,536,246,000	5.84	5.47	6.21	61
61	Comerica Bank-Detroit	379,287,000	384,380,000	-1.32	59	369,326,000	53	7,196,076,000	5.27	5.14	5.04	48
62	Trust Company Bank, Atlanta	373,521,000	348,929,000	7.05	67	287,896,000	73	5,312,963,000	7.03	6.07	4.81	91
63	Fleet National Bank, Providence, R.I.	370,649,000	362,577,000	2.23	65	309,600,000	66	6,684,804,000	5.54	5.35	5.42	62
64	First Alabama Bank, Montgomery	370,325,000	338,342,000	9.45	69	220,275,000	93	4,049,575,000	9.14	8.33	9.16	90
65	First Interstate Bank of Oregon NA, Portland	367,279,000	392,485,000	-6.42	57	366,047,000	55	5,443,498,000	6.75	6.74	6.32	64
66	Chase Manhattan Bank (USA) NA, Wilmington, Del.	366,339,000	310,292,000	18.06	81	191,273,000	114	5,072,018,000	7.22	6.15	4.23	246
67	National City Bank, Cleveland	366,149,000	365,197,000	0.26	63	318,290,000	61	6,642,390,000	5.51	5.63	5.76	74
68	Citibank (New York State), Perinton	358,235,000	451,264,000	-20.62	46	402,212,000	46	4,960,558,000	7.22	8.42	9.01	85
69	Citibank (Nevada) NA, Las Vegas	357,410,000	325,673,000	9.75	74	273,743,000	77†	2,399,914,000	14.89	12.36	16.41	460
70	Provident National Bank, Philadelphia	356,282,000	328,712,000	8.39	71	285,891,000	74	5,996,669,000	5.94	5.58	5.73	69
71	Greenwood Trust Co., New Castle, Del.	341,778,000	235,815,000	44.93	105	31,284,000	...	2,286,489,000	14.95	17.51	42.36	172
72	Bank of Tokyo Trust Co., New York	341,623,000	327,800,000	4.22	72	297,447,000	69	6,026,065,000	5.67	5.58	5.53	59
73	Society National Bank, Cleveland	337,166,000	307,404,000	9.68	84	162,528,000	131	5,231,009,000	6.45	6.14	6.27	73
74	BancOhio National Bank, Columbus	336,109,000	343,237,000	-2.08	68	291,332,000	71	4,792,647,000	7.01	7.31	6.77	86
75	Sanwa Bank California, San Francisco	334,920,000	327,418,000	2.29	73	89,984,001	239	5,169,631,000	6.48	6.46	5.85	77
76	California First Bank, San Francisco	328,196,000	311,150,000	5.48	80	282,413,000	76	6,000,282,000	5.47	5.24	5.18	57
77	Shawmut Bank NA, Boston	327,042,000	312,338,000	4.71	78	233,103,000	88	5,714,405,000	5.72	5.30	5.44	80
78	First Florida Bank NA, Tampa	323,880,000	307,509,000	5.32	83	267,511,000	78	4,621,057,000	7.01	6.27	6.59	76
79	Citizens & Southern Nat'l Bank of Fla., Ft. Lauderdale (c)	323,439,274	283,683,000	14.01	90‡	249,465,000‡	84‡	4,686,988,978	6.90	5.70‡	5.81‡	75
80	Northern Trust Co., Chicago	320,887,000	384,997,000	-16.65	58	362,925,000	56	6,648,349,000	4.83	4.94	5.40	68
81	Chase Lincoln First Bank NA, Rochester, N.Y.	320,595,000	315,093,000	1.75	77	299,770,000	68	5,061,361,000	6.33	6.58	7.38	93
82	First Tennessee Bank NA, Memphis	320,233,000	319,618,000	0.19	76	312,968,000	65	5,798,873,000	5.52	5.77	5.98	71
83	South Carolina National Bank, Columbia	305,789,000	283,960,000	7.69	88	253,421,000	82	4,796,919,000	6.37	6.15	6.11	94
84	IBJ Schroder Bank & Trust Co., New York	304,678,000	372,103,000	-18.12	61	128,482,000	171	3,146,488,000	9.68	7.18	6.31	204
85	First National Bank, St. Paul, Minn.	302,665,000	311,364,000	-2.79	79	260,092,000	80	6,106,035,000	4.96	5.06	4.76	102
86	Morgan Bank (Delaware), Wilmington	291,423,000	280,633,000	3.84	90	259,102,000	81	2,628,019,000	11.09	9.90	8.58	266
87	Bank of Hawaii, Honolulu	290,832,000	274,231,000	6.04	93	242,258,000	86	5,104,736,000	5.70	5.62	5.64	66
88	Norwest Bank Minneapolis NA	290,798,000	304,287,000	-5.27	85	288,991,000	72	6,734,295,000	4.32	4.20	4.55	81
89	Banco Popular de Puerto Rico, San Juan	288,265,000	283,042,000	1.85	89	221,273,533	92	5,031,777,459	5.73	6.25	5.35	70
90	Arizona Bank, Phoenix	285,246,000	243,236,000	17.27	101	222,068,000	91	4,683,760,000	6.09	5.42	5.64	79
91	Midlantic National Bank, Newark, N.J.	284,084,000	276,144,000	2.88	92	196,558,000	111	4,745,679,000	5.99	5.67	5.68	88
92	American Security Bank NA, Washington, D.C.	282,264,000	267,085,000	5.68	94	233,036,000	89	4,672,138,000	6.04	5.75	5.67	84
93	Mercantile Bank NA, St. Louis	280,999,000	320,674,000	-12.37	75	20,173,000	...	4,357,638,000	6.45	7.35	7.40	97
94	Signet Bank/Virginia, Richmond	280,810,000	294,289,000	-4.58	86	248,027,000	84	6,811,619,000	4.12	4.93	4.86	60
95	Boatmen's National Bank, St. Louis	270,433,000	262,989,000	2.83	97	181,238,000	122	4,102,042,000	6.59	6.47	5.87	108
96	First Pennsylvania Bank NA, Philadelphia	266,242,000	359,985,000	-26.04	66	344,193,000	60	5,524,027,000	4.82	6.10	6.05	78
97	Whitney National Bank, New Orleans, La.	262,065,000	212,860,000	23.12	116	215,518,000	96	2,608,936,000	10.04	8.30	9.88	145
98	Hibernia National Bank, New Orleans, La.	258,919,000	148,539,000	74.31	...	119,190,000	...	4,487,195,000	5.77	5.28	5.21	83
99	Riggs National Bank, Washington, D.C.	255,541,000	265,634,000	-3.80	96	247,349,000	85	5,842,936,000	4.37	4.48	4.56	65
100	First National Bank of Maryland, Baltimore	254,548,000	243,696,000	4.45	100	213,224,000	98	4,714,611,000	5.40	4.99	5.08	82
	TOTALS FOR THE TOP 100★	$69.64 Bil.	$79.21 Bil.	-12.08		$71.98 Bil.		$1,447.6 Bil.	4.81%	5.41%	5.23%	

Equity capital is the sum of perpetual preferred stock, common stock, surplus, and undivided profits and capital reserves. In addition, for large banks, equity capital includes the cumulative foreign currency translation adjustments. **(a)**— Merged with Crocker National Bank, San Francisco, in May, 1986, under Crocker's charter. **(b)**— Formerly Michigan National Bank-Farmington. Changed title in March 1987 after merging 15 of its parent's bank affiliates. **(c)**— Formerly Citizens & Southern National Bank of Fort Lauderdale. Changed title in January 1987 after merging 14 of its parent's bank affiliates. **(‡)**— Restated for mergers. **(†)**— Rank bank would have had if figures had been availbale. **(★)**— The 12/31/86 and 12/31/85 totals are for the top 100 banks that year.

An American Banker Special Report

Equity Capital at Top 100 Banks Dropped Sharply at Midyear

By KENNETH J. HICKS

NEW YORK — Equity capital dropped appreciably for the 100 largest commercial banks at midyear 1987, unlike the previous year when equity grew one and a half times faster than assets, according to an *American Banker* survey.

The percentage of the banks' capital that is in equity also plummeted from midyear 1986.

But total capital, which includes loan-loss reserves, jumped 14.9% in the same period, more than triple the asset growth at the banks.

These are some of the findings of the *American Banker* survey, published today, of the top 100 U.S. commercial banks ranked by equity capital as of midyear 1987. The table on page 22 also shows the banks' equity capital and ranking for yearend 1986 and yearend 1985, along with each bank's equity capital-to-assets ratio.

A second table, on pages 24 and 26, is a geographical breakdown of the top 100. It includes primary and total capital and those figures as a percentage of total assets.

Because of large additions to loan-loss reserves, the composition of bank capital changed. For the top 100 banks, equity capital totaled $69.64 billion, a decline of 12.1% from yearend 1986 and 7.2% from a year ago. Asset growth at these banks was up 3.0% from a year ago.

Equity capital as a percentage of total capital plummeted to 59.3% at midyear 1987. At midyear 1986 equity accounted for 73.4% of total capital, and at yearend 1985 it was at 75.2%.

Equity capital is the sum of perpetual preferred and common stock, surplus and undivided profits, and capital reserves. At large banks, equity includes the cumulative foreign currency translation adjustments.

Primary capital jumped 12.9% to $107.8 billion, from $95.4 billion at midyear 1986. Primary capital is equity capital, plus the allowance for loan and lease losses, mandatory convertible debt, minority interest in equity accounts of consolidated subsidiaries, minus goodwill placed on the books after April 15, 1985.

Analysts with Merrill Lynch & Co. noted that regulators have been encouraging banks to raise their capital. "And they have been doing that through various channels," said Robert A. Baer, managing director of Merill Lynch's investment banking division. The question becomes, Mr. Baer said, "Is that window now closed to banks, given the market's volatility?"

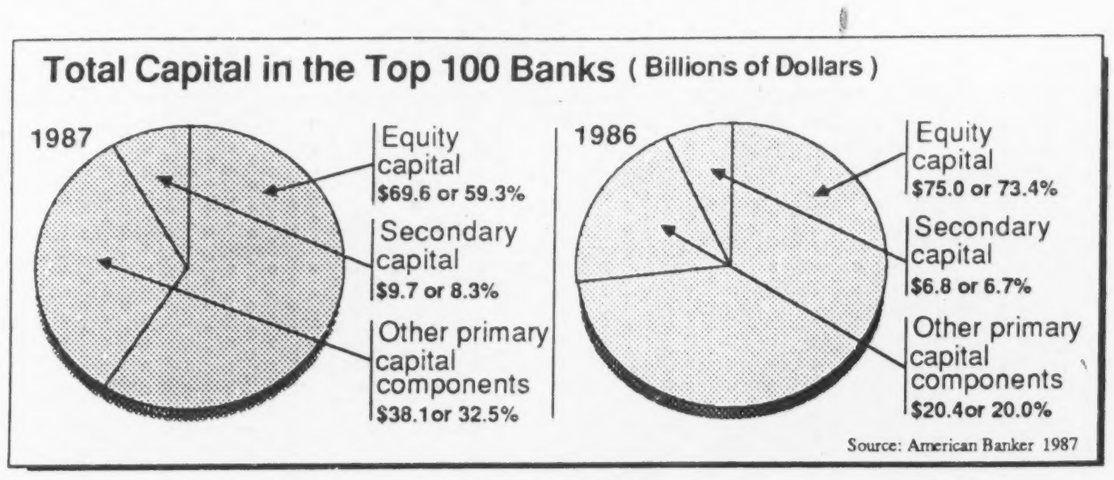
The market crash on Monday had no direct effect on the value of equity capital carried on bank balance sheets. But the depressed market prices make new equity offerings less attractive.

To raise equity capital depleted by huge loan-loss provisions for Brazilian loans in the second quarter, Citicorp, Manufacturers Hanover Trust Co., and Bankers Trust New York Corp. issued more than $1.5 billion in common stock in September.

Larry Cohn, a bank stock analyst with Merrill, said Tuesday that he does not expect other banks to raise equity in the near term. "Those banks that had clear-cut designs to raise their equity did so in September," he said.

Robert L. Clarke, the comptroller of the currency, said, "There's no question the climate for raising new equity capital has changed." For those banks that had raised funds in the markets before the sharp decline, Mr. Clarke said, "it was good for those who got in.

"For those banks which did not get their equity offerings in, they're going to go back and assess how to do that," Mr. Clarke said at a press conference Tuesday at the American Bankers Association convention in Dallas.


Total Capital in the Top 100 Banks (Billions of Dollars)
1987
Equity capital $69.6 or 59.3%
Secondary capital $9.7 or 8.3%
Other primary capital components $38.1or 32.5%
1986
Equity capital $75.0 or 73.4%
Secondary capital $6.8 or 6.7%
Other primary capital components $20.4or 20.0%
Source: American Banker 1987

Bank analysts consider equity capital a good measure of a bank's condition, because it does not include the allowance for loan losses and subordinated debt. The ratio of equity capital to total assets is considered a good measurement of a bank's ability to grow in the future and to withstand unanticipated losses.

For the top 100 banks, the midyear 1987 ratio of equity to total assets dropped to 4.81%, from 5.41% at yearend and 5.23% at midyear 1986. At money center banks, which took the heaviest loan-loss allowances at midyear, the fall was even more dramatic.

At the 11 banks considered money centers by the *American Banker*, the equity-to-assets ratio fell 88 basis points to 4.33%, from 5.21% at midyear 1986.

For the money centers, equity capital fell 15.4% to $24.9 billion, from $28.9 billion a year ago. As a percentage of total capital, equity dropped to 55.3%, from 76.4%.

Assets grew 1.6% to $559.8 billion at the money centers, from $551.0 billion. (Since all year-ago figures were not available for First National Bank, Chicago, it is excluded.)

For regional banks, the equity/capital ratio was down 47 basis points to 5.15% and equity comprised 58.5% of total capital, versus 71.6% a year ago.

Equity Capital: Page 25 ➡

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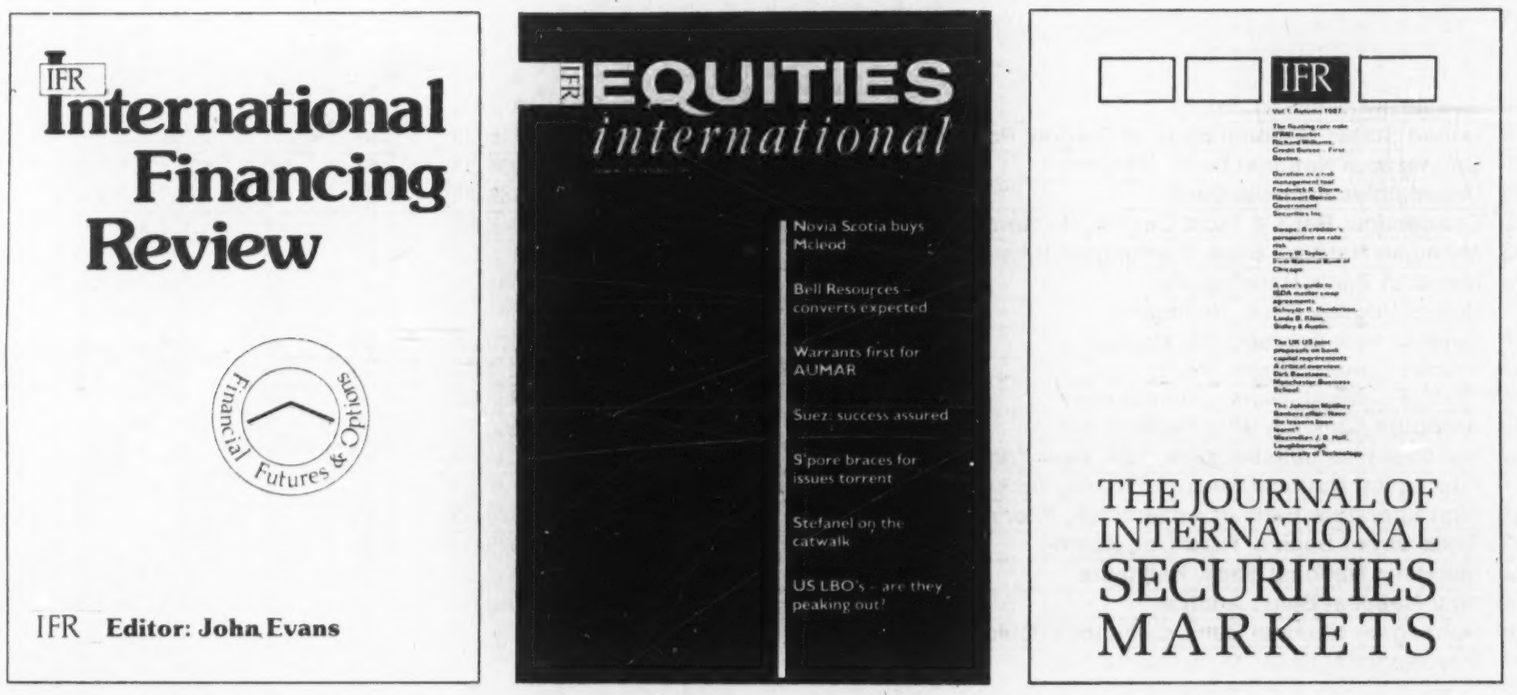

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Top 100 U.S. Banks in Equity Capital

On June 30, 1987; In Geographic Order, with Primary and Total Capital

Compiled by American Banker Copyright 1987

Rank		Equity Capital 6/30/87	Primary Capital 6/30/87	Total Capital 6/30/87	Total Assets 6/30/87	Equity Cap. /Assets 6/30/87	Primary Cap. /Asset 6/30/87	Total Cap. /Assets 6/30/87
	ALABAMA							
49	AmSouth Bank NA, Birmingham	440,563,000	498,967,000	498,967,000	5,923,686,000	7.44	8.42	8.42
64	First Alabama Bank, Montgomery	370,325,000	403,433,000	409,433,000	4,049,575,000	9.14	9.96	10.11
	ARIZONA							
36	Valley National Bank, Phoenix	523,063,000	730,670,000	730,670,000	9,875,530,000	5.30	7.40	7.40
52	First Interstate Bank of Arizona NA, Phoenix	433,171,000	525,545,000	563,259,000	6,407,094,000	6.76	8.20	8.79
90	Arizona Bank, Phoenix	285,246,000	314,810,000	326,060,000	4,683,760,000	6.09	6.72	6.96
	CALIFORNIA							
4	Bank of America NT&SA, San Francisco	2,620,000,000	6,463,000,000	7,573,000,000	84,859,000,000	3.09	7.62	8.92
6	Security Pacific National Bank, Los Angeles	1,884,195,000	3,257,944,000	3,453,567,000	47,062,439,000	4.00	6.92	7.34
8	Wells Fargo Bank NA, San Francisco	1,693,247,000	2,805,971,000	4,073,046,000	39,541,739,000	4.28	7.10	10.30
15	First Interstate Bank of California, Los Angeles	856,946,000	1,670,942,000	2,027,180,000	21,051,799,000	4.07	7.94	9.63
30	Union Bank, Los Angeles	568,240,000	673,065,000	828,065,000	9,181,580,000	6.19	7.33	9.02
75	Sanwa Bank California, San Francisco	334,920,000	378,490,000	391,221,000	5,169,631,000	6.48	7.32	7.57
76	California First Bank, San Francisco	328,196,000	402,352,000	454,063,000	6,000,282,000	5.47	6.71	7.57
	CONNECTICUT							
40	Connecticut National Bank, Hartford	514,431,000	556,356,000	637,856,000	9,212,953,000	5.58	6.04	6.92
42	Connecticut Bank & Trust Co. NA, Hartford	490,167,000	559,029,000	634,029,000	8,948,990,000	5.48	6.25	7.08
	DELAWARE							
24	Citibank (Delaware), New Castle	630,816,589	630,816,589e	630,816,589e	774,522,061	81.45	81.45	81.45
66	Chase Manhattan Bank (USA) NA, Wilmington	366,339,000	545,090,000c	545,090,000c	5,072,018,000	7.22	10.75	10.75
71	Greenwood Trust Co., New Castle	341,778,000	396,779,000	396,779,000	2,286,489,000	14.95	17.35	17.35
86	Morgan Bank (Delaware), Wilmington	291,423,000	334,790,000	434,790,000	2,628,019,000	11.09	12.74	16.54
	DISTRICT OF COLUMBIA							
92	American Security Bank NA, Washington, D.C.	282,264,000	337,692,000	337,692,000	4,672,138,000	6.04	7.23	7.23
99	Riggs National Bank, Washington, D.C.	255,541,000	385,404,000c	425,654,000c	5,842,936,000	4.37	6.60	7.28
	FLORIDA							
31	Southeast Bank NA, Miami	549,918,000	832,093,000	833,593,000	12,124,642,000	4.54	6.86	6.88
32	NCNB National Bank of Florida, Tampa	543,964,000	603,753,000c	604,485,000c	8,209,277,000	6.63	7.35	7.36
48	Florida National Bank, Jacksonville	441,645,000	582,157,000	582,157,000	7,275,974,000	6.07	8.00	8.00
51	First Union National Bank of Florida, Jacksonville	433,978,000	477,985,000	512,985,000	7,778,427,000	5.58	6.15	6.59
78	First Florida Bank NA, Tampa	323,880,000	356,108,000	361,737,000	4,621,057,000	7.01	7.71	7.83
79	Citizens & Southern National Bank of Florida, Fort Lauderdale	323,439,274	359,548,585	359,548,585	4,686,988,978	6.90	7.67	7.67
	GEORGIA							
27	Citizens & Southern National Bank, Atlanta	620,698,000	728,306,000	779,182,000	10,340,870,000	6.00	7.04	7.53
55	First National Bank, Atlanta	402,150,000	559,228,000	714,228,000	7,236,360,000	5.56	7.73	9.87
62	Trust Company Bank, Atlanta	373,521,000	429,354,000	429,354,000	5,312,963,000	7.03	8.08	8.08
	HAWAII							
87	Bank of Hawaii, Honolulu	290,832,000	338,875,000	345,675,000	5,104,736,000	5.70	6.64	6.77
	ILLINOIS							
10	Continental Illinois National Bank & Trust Co., Chicago	1,645,371,000	2,535,412,000c	2,535,412,000c	32,828,955,000	5.01	7.72	7.72
14	First National Bank, Chicago	907,466,000	2,538,683,000	2,963,683,000	35,630,958,000	2.55	7.12	8.32
34	Harris Trust & Savings Bank, Chicago	540,834,000	608,827,000	608,827,000	8,196,772,000	6.60	7.43	7.43
80	Northern Trust Co., Chicago	320,887,000	474,235,000	499,235,000	6,648,349,000	4.83	7.13	7.51
	LOUISIANA							
97	Whitney National Bank, New Orleans	262,065,000	275,716,000	275,716,000	2,608,936,000	10.04	10.57	10.57
98	Hibernia National Bank, New Orleans	258,919,000	313,259,000	321,459,000	4,487,195,000	5.77	6.98	7.16
	MARYLAND							
54	Maryland National Bank, Baltimore	411,585,000	566,431,000	566,431,000	8,239,068,000	5.00	6.87	6.87
100	First National Bank of Maryland, Baltimore	254,548,000	300,503,000	325,503,000	4,714,611,000	5.40	6.37	6.90
	MASSACHUSETTS							
12	First National Bank, Boston	1,121,682,000	1,735,352,000	1,735,352,000	21,538,230,000	5.21	8.06	8.06
33	Boston Safe Deposit and Trust Co.	541,644,000	568,004,000	568,004,000	10,298,151,000	5.26	5.52	5.52
46	Bank of New England NA, Boston	458,681,000	779,074,000c	794,104,000c	10,590,325,000	4.33	7.36	7.50
53	State Street Bank & Trust Co., Boston	425,968,000	471,505,000	489,716,000	7,092,141,000	6.01	6.65	6.91
77	Shawmut Bank NA, Boston	327,042,000	391,856,000	450,436,000	5,714,405,000	5.72	6.86	7.88
	MICHIGAN							
19	National Bank of Detroit	767,973,000	1,019,708,000	1,019,708,000	14,599,402,000	5.26	6.98	6.98
43	Michigan National Bank, Farmington Hills	461,533,000	552,944,000	557,538,000	7,658,818,000	6.03	7.22	7.28
58	Manufacturers National Bank, Detroit	392,965,000	491,403,000	496,030,000	7,107,766,000	5.53	6.91	6.98
61	Comerica Bank-Detroit	379,287,000	501,382,000	555,085,000	7,196,076,000	5.27	6.97	7.71
	MINNESOTA							
57	First National Bank, Minneapolis	396,479,000	785,025,000	805,025,000	10,677,595,000	3.71	7.35	7.54
85	First National Bank, St. Paul	302,665,000	458,221,000c	493,221,000c	6,106,035,000	4.96	7.50	8.08
88	Norwest Bank Minneapolis NA	290,798,000	556,195,000	584,284,000	6,734,295,000	4.32	8.26	8.68
	MISSOURI							
93	Mercantile Bank NA, St. Louis	280,999,000	402,705,000	402,705,000	4,357,638,000	6.45	9.24	9.24
95	Boatmen's National Bank, St. Louis	270,433,000	296,617,000	296,617,000	4,102,042,000	6.59	7.23	7.23
	NEVADA							
69	Citibank (Nevada) NA, Las Vegas	357,410,000	357,410,000e	357,410,000e	2,399,914,000	14.89	14.89	14.89
	NEW JERSEY							
37	First Fidelity Bank NA, Newark	522,033,000	643,281,000	679,281,000	10,119,891,000	5.16	6.36	6.71
91	Midlantic National Bank, Newark	284,084,000	377,918,000	377,918,000	4,745,679,000	5.99	7.96	7.96
	NEW YORK							
1	Citibank NA, New York	6,856,000,000	10,615,000,000s	11,365,000,000s	141,500,000,000	4.85	7.50	8.03
2	Chase Manhattan Bank NA, New York	3,545,635,000	6,181,000,000	6,370,000,000	82,726,417,000	4.29	7.47	7.70
3	Morgan Guaranty Trust Co., New York	3,311,054,000	5,480,242,000c	6,492,050,000c	64,896,000,000	5.10	8.44	10.00
5	Bankers Trust Co., New York	2,171,660,000	3,643,858,000	3,977,191,000	54,377,287,000	3.99	6.70	7.31
7	Chemical Bank, New York	1,814,000,000	4,012,000,000c	4,376,000,000c	60,922,000,000	2.98	6.59	7.18
9	Manufacturers Hanover Trust Co., New York	1,661,000,000	4,799,000,000c	5,198,000,000c	59,341,322,000	2.80	8.09	8.76
11	Republic National Bank, New York	1,502,659,000	1,711,825,000c	1,711,825,000c	17,216,131,000	8.73	9.94	9.94
13	Bank of New York	955,724,000	1,339,638,000	1,340,107,000	20,246,569,000	4.72	6.62	6.62
18	Irving Trust Co., New York	792,219,000	1,472,641,000	1,610,241,000	21,388,498,000	3.70	6.89	7.53
23	Marine Midland Bank NA, Buffalo	698,649,000	1,468,332,000	1,573,141,000	21,501,125,000	3.25	6.83	7.32
50	National Westminster Bank USA, New York	435,436,000	774,250,000c	776,315,000c	11,263,553,000	3.87	6.87	6.89
60	European American Bank, New York	381,436,000	521,436,000s	676,861,000s	6,536,246,000	5.84	7.98	10.36
68	Citibank (New York State), Perinton	358,235,000	363,625,000	363,625,000	4,960,558,000	7.22	7.33	7.33
72	Bank of Tokyo Trust Co., New York	341,629,000	392,639,000	430,979,000	6,026,065,000	5.67	6.52	7.15
81	Chase Lincoln First Bank NA, Rochester	320,595,000	380,121,000	383,374,000	5,061,361,000	6.33	7.51	7.57
84	IBJ Schroder Bank & Trust Co., New York	304,678,000	244,174,000	244,174,000	3,146,488,000	9.68	7.76	7.76

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Equity Capital Down Sharply At Top Banks

Continued from Page 23

Equity declined only 4.9% at these banks. Assets at the regional banks rose 3.9% to $852.2 billion, from $820.2 billion.

Primary capital, for the top 100 jumped 12.9% to $107.8 billion, from $95.4 billion at midyear 1986. Primary capital is equity capital plus the allowance for loan and lease losses, mandatory convertible debt, minority interest in equity accounts of consolidated subsidiaries, minus goodwill placed on the books after April 15, 1985.

Since primary capital does include the loan-loss allowance and mandatory convertible debt, it can be a misleading measure of comparative capital adequacy. A bank with a sizable allowance for losses — which many of the big banks took in the second quarter — will have an inflated primary capital-to-assets ratio and could not be compared meaningfully on this basis with a bank with a more moderate allowance.

Bank analysts consider mandatory convertible debt to be "phantom capital," because it does not exist on the books as capital. Mandatory convertible debt is subordinated notes that can be converted into common or perpetual preferred stock in a specified period of 12 years or less.

Money center banks' primary capital jumped 22.4% to $44.4 billion. The other components of primary capital, excluding equity, accounted for 38.7% of money center banks' total capital, compared with 19.4% a year ago.

At the regionals, primary capital grew at a more modest 7.2%, and its components comprised 28.2% of total capital, compared with 20.3% last year.

Capital Ratios

(Dollar amounts in billions)

	Amount	% of Assets
MONEY CENTER BANKS		
Equity Capital	$25.78	4.33%
Primary Capital	44.35	7.45
Total Capital	47.96	8.06
REGIONAL BANKS		
Equity Capital	43.86	5.15
Primary Capital	63.43	7.44
Total Capital	69.52	8.16

Other Survey Findings

• Citibank remained No. 1 in equity capital, reporting $6.9 billion, a drop of 14.4% from Dec. 31 and 9.7% from a year earlier. The equity-to-assets ratio stood at 4.85%, down from 5.22% and 5.08% in the preceding periods. The country's largest bank maintained its place with the third-best ratio among the top 10 banks and moved up a notch to 11th among the top 25. Citibank's equity capital accounts for 9.9% of the top 100's total equity capital.

• Four of the five banks with the highest equity capital/assets ratio were the special-purpose banks set up to handle credit card operations. Holding the first and third ranks were Citibank subsidiaries — Citibank (Delaware), New Castle, and Citibank (Nevada), Las Vegas, with 81.45% and 14.89%, respectively. Second was the Sears, Roebuck and Co. subsidiary, Greenwood Trust Co., also in New Castle, at 14.95%. The fourth and fifth spots were occupied by Morgan Bank (Delaware), Wilmington, at 11.09% and Whitney National Bank, New Orleans, with 10.04%. ■

National City Starts Small Business Video Banking

By DAVID O. TYSON

NEW YORK — National City Bank, Cleveland, this week went into full commercial operation with the Harbinger Computer Services version of video banking for small businesses that it tested for a year.

Video Banking

The Atlanta-based Harbinger announced that Marine Midland Bank, Buffalo, N.Y., which has been testing it since March, also will roll out the personal computer service this month and that Wells Fargo Bank, San Francisco, will start a beta test with 50 customers next month.

The Harbinger small business product, called InTouch Cash Manager, has been in use since May 1986 at First National Bank of Atlanta, which helped develop it, and since August this year at the eight Illinois banks in Midwest Financial Group, Peoria.

C. Tycho Howle, Harbinger president, said in a telephone interview that two other banks will start beta tests next month. He declined to identify them.

Altogether, Mr. Howle said, about 700 customers a day connect into the Harbinger computers to do their banking. These include both small businesses using InTouch Cash Manager and consumers using the company's retail video banking service called the Promise, which is offered only by Fulton Federal Savings and Loan Association, Atlanta.

The Harbinger version of video banking has several unusual features. One of them, which National City will not make available until the end of the year, gives on-line customers the ability to order transfers between the offering bank and their accounts in any other automated clearing house banks. Harbinger claims that, contrary to some expectations, this feature has caused an inflow of deposits to its client banks, not a deposit drain.

Another feature is off-line processing: A user prepares a banking session in his PC and then connects up to transmit data back and forth, thus saving computer connect time and telecommunications costs.

National City Bank is running InTouch as a member of Money Station Inc., an Ohio electronic funds transfer network, which has licensed it from Harbinger for use by all participating institutions. The bank has had 30 small businesses in the beta test.

InTouch customers use an 800 toll-free number to connect their PCs into Harbinger in Atlanta, which can give them their balances starting at 7 a.m. each day. They can transfer funds among their accounts and get a daily electronic bank statement. ■

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Top 100 U.S. Banks in Equity Capital

On June 30, 1987; In Geographic Order, with Primary and Total Capital

Compiled by American Banker Copyright 1987

Rank		Equity Capital 6/30/87	Primary Capital 6/30/87	Total Capital 6/30/87	Total Assets 6/30/87	Equity Cap. /Assets 6/30/87	Primary Cap. /Asset 6/30/87	Total Cap. /Assets 6/30/87
	NORTH CAROLINA							
17	NCNB National Bank of North Carolina, Charlotte	812,207,000	943,928,000c	1,070,868,000c	13,453,464,000	6.04	7.02	7.96
20	First Union National Bank, Charlotte	761,030,000	904,980,000	974,734,000	13,102,948,000	5.81	6.91	7.44
21	Wachovia Bank & Trust Co. NA, Winston-Salem	739,305,000	847,993,000c	855,443,000c	10,935,356,000	6.76	7.75	7.82
	OHIO							
35	AmeriTrust Co. NA, Cleveland	539,179,000	620,147,000	620,147,000	8,345,588,000	6.46	7.43	7.43
56	Huntington National Bank, Columbus	400,120,000	478,187,000	478,187,000	6,712,666,000	5.96	7.12	7.12
67	National City Bank, Cleveland	366,149,000	450,014,000	450,014,000	6,642,390,000	5.51	6.77	6.77
73	Society National Bank, Cleveland	337,166,000	373,029,000	391,266,000	5,231,009,000	6.45	7.13	7.48
74	BancOhio National Bank, Columbus	336,109,000	403,856,000	403,856,000	4,792,647,000	7.01	8.43	8.43
	OREGON							
39	United States National Bank of Oregon, Portland	518,123,000	573,796,000	589,501,000	8,019,322,000	6.46	7.16	7.35
65	First Interstate Bank of Oregon NA, Portland	367,279,000	458,589,000	477,589,000	5,443,498,000	6.75	8.42	8.77
	PENNSYLVANIA							
22	Mellon Bank NA, Pittsburgh	718,364,000	1,640,628,000	1,640,628,000	23,975,038,000	3.00	6.84	6.84
29	Pittsburgh National Bank	605,269,000	951,117,000	951,117,000	14,443,223,000	4.19	6.59	6.59
41	Philadelphia National Bank	502,327,000	570,573,000	668,544,000	8,937,317,000	5.62	6.38	7.48
44	Meridian Bank, Reading	459,374,000	514,855,000	530,805,000	6,649,690,000	6.91	7.74	7.98
59	Fidelity Bank NA, Malvern	392,534,000	532,694,000c	573,748,000c	9,257,432,000	4.24	5.75	6.20
70	Provident National Bank, Philadelphia	356,282,000	417,269,000	434,251,000	5,996,669,000	5.94	6.96	7.24
96	First Pennsylvania Bank NA, Philadelphia	266,242,000	424,467,000	461,467,000	5,524,027,000	4.82	7.68	8.35
	PUERTO RICO							
89	Banco Popular de Puerto Rico, San Juan	288,265,000	316,713,000c	318,713,000c	5,031,777,459	5.73	6.29	6.33
	RHODE ISLAND							
63	Fleet National Bank, Providence	370,649,000	478,951,000	563,951,000	6,684,804,000	5.54	7.16	8.44
	SOUTH CAROLINA							
83	South Carolina National Bank, Columbia	305,789,000	373,059,000	379,059,000	4,796,919,000	6.37	7.78	7.90
	SOUTH DAKOTA							
16	Citibank (South Dakota) NA, Sioux Falls	855,044,000	1,212,628,000	1,637,628,000	10,290,580,000	8.31	11.78	15.91
	TENNESSEE							
82	First Tennessee Bank NA, Memphis	320,233,000	448,443,000	476,033,000	5,798,873,000	5.52	7.73	8.21
	TEXAS							
25	First RepublicBank Dallas NA	627,277,000	1,394,746,000	1,760,896,000	20,025,802,000	3.13	6.96	8.79
28	Texas Commerce Bank NA, Houston	616,890,000	867,615,000	902,615,000	10,984,317,000	5.62	7.90	8.22
	VIRGINIA							
26	Sovran Bank NA, Richmond	624,173,000	703,744,000c	724,055,000c	11,819,749,000	5.28	5.95	6.13
45	United Virginia Bank, Richmond	458,746,000	613,868,000	684,018,000	8,261,842,000	5.55	7.43	8.28
94	Signet Bank/Virginia, Richmond	280,810,000	412,832,000	415,691,000	6,811,619,000	4.12	6.06	6.10
	WASHINGTON							
38	Seattle-First National Bank	518,777,000	740,424,000	835,374,000	9,933,300,000	5.22	7.45	8.41
47	Rainier National Bank, Seattle	447,943,000	569,304,000	669,304,000	8,218,168,000	5.45	6.93	8.14
	CAPITAL TOTALS FOR TOP 100 BANKS	**$69.64 Bil.**	**$107.78 Bil**	**$117.48 Bil.**	**$1,447.56 Bil.**	**4.81**	**7.45**	**7.64**

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Financial Markets in Turmoil

Clearing Banks Ready to Process Stock Trades

→ **Continued from Page 1**

volumes.

But Mr. Ricca said that while the systems that handle U.S. government securities have a lot of room before they reach the roof, systems that handle equity transactions do not. In his view, if stock market volume continues high for two or three days, there will be significant problems that can cause errors.

William T. Dentzer, chairman of Depository Trust Co., is more optimistic.

"Several days of trading at these high levels should create no problems for the Street," he said in an interview. "Certainly no problems for us. We would have to experience this for about a month before those kinds of stresses would show up."

Mr. Dentzer's trust company clears trades by book entry, eliminating paper certificates. It is the largest of the securities depositories, which represent one of the major advances in automation in the capital markets.

"There's a high degree of automation on Wall Street now," he said. "We settled, for example, about $8 trillion of securities transactions in 1986 and even before this we were running this year at $10 trillion annually. So the extent to which those deliveries are made by book entries and securities are increasingly immobilized, it takes a great deal of stress out of the system."

Chase Braces for Wave

Chase Manhattan Bank, one of the major processors of securities transactions, is braced for the tidal wave of stocks and expects to cope with little stress.

"In some ways this is a test of the work that we've been doing the last three to five years in building capacity," said a Chase information officer.

"We have reviewed all our operations and systems components globally and we have in place the capacity to handle the volume that has come through thus far," the officer said. "We are putting all kinds of mechanisms in place to protect our customers' assets, such as expanding disk space, standby staff people, and plans for running systems overtime."

Chase does securities processing worldwide and different markets have different settlement dates. So it already feels the impact of the frantic markets of recent days.

The bank's worldwide processing is done out of a hub in London. It interfaces with New York, since most of the investors are located in the United States, but the accounting and settlement is done mostly at a year-old facility in Bournemoth, England.

Anticipating No Difficulties

Chase anticipates no difficulties from delivery fails or credit problems that may arise in clearing. "We have the utmost confidence in the brokerage industry and the securities industry to pull through this," the information officer said.

One observer suggested, however, that mortgage-backed securities may present a clearing problem since they have not yet been put into a book-entry system. "Mortgage-backed securities clearers have had problems for a year and a half now and this will only make it worse," said Eugene N. Scalercio, chairman and chief executive officer of NFS Services Inc., a New York consulting firm in Wall Street operations.

But the large clearing banks disagree. Joseph Walsh, general manager of wholesale operations at Marine Midland Bank, New York, a major clearer of government securities, said problems caused by mortgage backed securities are likely to be minimal.

"That market matured last year and now we have better procedures and don't anticipate any problems," he said. "Maybe if you asked me that a year ago I would have said there would have been problems, but not today."

Business as Usual

Other clearing mechanisms reported business as usual amid increased activity, such as the Clearing House Interbank Payments System, which handles the clearing and settlement of foreign exchange, foreign trade, Eurodollar, and other international business transactions.

"We could see an increase in settlement transactions five business days after the last two active days," said William M. Walsh, senior vice president of data processing for the New York Clearing House, operator of Chips.

He said said Chips' international scope forces it to handle large volume fluctuations. If Chips closes for a U.S. holiday and international trading continues, the day the system reopens, it operates a double-day schedule, processing transactions from that day and the previous day.

Mr. Scalercio raised another potential problem. In the investment community as a whole, he said, back-office people have worked for their yearend bonuses and now there will be none. Psychologically, that will affect their work and possibly slow operations. ■

Stock Prices Dive On London Market

→ **Continued from Page 2**

problems."

Some firms are still likely to be looking at substantial losses. But John Aitken, a director of County Natwest Investment Bank, said that the larger London dealers tend to carry equity positions overnight of between $250 million and $400 million.

Thus the market decline since late last week has probably produced losses of $30 million to $50 million for some firms. "Some of these merchant banks only earn about twice that in a year," he said.

Bank lending exposure to securities is not a substantial part of total loans for the major London banks, Mr. Aitken said, noting that banks will probably hold back on demanding additional collateral on securities loans at least until the markets stabilize. Other sources said that London banks were refusing to increase their foreign exchange exposure to securities firms Tuesday, but this could not be confirmed at major banks.

London analysts said that in the immediate future, markets here will probably take their cue from New York. Investors, however, have been shellshocked by the events of the last two days, economists said, and it could be some time before the markets show any signs of life.

"The drama should be played out in Europe by today or tomorrow," said Larry Anderson, an economist at Deutsche Bank in London. "The question then will be whether there are enough investors left to give the market a bounce or whether we're in for a long bear phase." ■